GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3399
ANSWERED ON:15.12.2006
COMPLETSOM CERTIFICATE BY PROPERTY DEVELOPERS
Kharventhan Shri Salarapatty Kuppusamy

Will the Minister of FINANCE be pleased to state:

(a) whether there is a provision for submitting completion certificate to the bank by property developers for the loan financed by them;

(b) if so, whether many of the property developers in the country are unable to produce certificates to the banks within the stipulated time;

(c) if so, the details thereof;

(d) whether the banks have initiated any action in the matter;

(e) if so, the details thereof; and

(f) if not, the reasons therefor?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a): Resen/e Bank of India(RBI) has issued instructions on 17th November, 2006 advising the banks to strictly comply with the directions of the Monitoring Committee constituted by the Hon`ble High Court of Delhi regarding Unauthorized Construction, Misuse of Properties and Encroachment on Public Land. As per the instructions, it is the responsibility of the borrower availing loan for building construction to obtain completion certificate within 3 months of completion of construction, failing which the banks shall have the power and the authority to recall the entire loan with interest, costs and other usual bank charges. An Architect appointed by the bank must also certify at various stages of construction of buildings that the construction of the building is strictly as per sanctioned plan and shall also certify at a particular point of time that the completion certificate of the building issued by the competent authority has been obtained.

(b) to (f) : Some banks have indicated that the repayment schedule is fixed on the basis of cash flow projections which is monitored periodically. The funds are released stage to stage after obtaining the certificate from Chartered Engineer and Chartered Account regarding amount spent/invested in the project. In cases of delay in completion of the project Bank considers reschedulement of drawals and repayment. Sometimes bank finance is adjusted from advance payment/sate proceeds received by the property developers from the ultimate buyers of the properties even before the project is fully completed/occupied. Therefore, completion certificate may not always be followed up/stipulated.